

Message Text

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SUBJECT: POST INPUT TO BIC TRADE PROMOTION PROGRAM/
BEST PROSPECTS FY77

REF: A. JIDDA 6538; B. STATE 249375; C. STATE A-6238
AUGUST 7, 1974

1. PURSUANT TO REF B, BELOW IS A LISTING OF PRODUCT CATEGORIES WHICH WE BELIEVE TO HAVE THE HIGHEST POTENTIAL FOR ACHIEVEMENT OF INCREMENTAL SALES THROUGH STANDARD BIC TRADE PROMOTION VEHICLES RPT THROUGH STANDARD VEHICLES. THE LISTING IS IN ORDER OF PRIORITY:

- A. MATERIALS HANDLING EQUIPMENT AND SYSTEMS
- B. HOME AND OFFICE FURNISHINGS
- C. AUDIO-VISUAL EQUIPMENT
- D. AGRICULTURAL EQUIPMENT

2. IT SHOULD BE KEPT IN MIND THAT THESE CATEGORIES DO NOT REPRESENT AREAS OF GREATEST POTENTIAL FOR INCREMENTAL SALES AS SUCH. AS POINTED OUT IN REF A AND ELSEWHERE, THE TWO KEY ELEMENTS IN INCREASING U.S. EXPORTS TO SAUDI ARABIA ARE THE CAPTURE OF MAJOR PROJECT CONTRACTS, AND THE ABILITY OF U.S. SUPPLIERS TO RESPOND TO THE EXISTING DEMAND FOR U.S. GOODS AND SERVICES ON A TIMELY BASIS.

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3. QUANTIFICATION OF MARKET POTENTIAL IS IMPOSSIBLE NOT

ONLY BECAUSE OF THE NON-EXISTENCE OF CURRENT SAUDI TRADE STATISTICS (ALTHOUGH AN ANALYSIS OF OECD DATA WOULD BE HELPFUL) BUT BECAUSE THE RAPIDITY OF CHANGE IN LOCAL CONDITIONS MAKES PROJECTION VERY UNDERTAIN.

A. MATERIALS HANDLING

THE EXPECTED ENORMOUS UPSURGE IN INDUSTRIAL AND GENERAL ECONOMIC DEVELOPMENT IS EXPECTED TO PUT SEVERE STRAINS ON SAUDI ARABIA'S TRANSPORTATION INFRASTRUCTURE, AND MAJOR EFFORTS WILL BE NECESSARY TO UPGRADE IT. THE TRADE MISSION INCOMPASSING MATERIALS HANDLING WHICH WAS SCHEDULED FOR THE FALL OF 1974 IN THIS AREA NEVER MATERIALIZED. THIS IS A CATEGORY WHICH SHOULD BE TARGETED AGAIN AS SOON AS POSSIBLE--IN THE FY76 PROGRAM WOULD BE EVEN BETTER THAN WAITING FOR FY 77. TRADE MISSION

B. HOME AND OFFICE FURNISHINGS

INCREASING AFFLUENCE AND GROWING URBAN POPULATION ARE GREATLY INCREASING THE DEMAND FOR BOTH HOME AND OFFICE FURNISHINGS--PARTICULARLY LUXURY LINES. EUROPEAN MANUFACTURERS ARE AT PRESENT DOMINATING THIS MARKET, BUT THE SAUDI INGRAINED PREFERENCE FOR AMERICAN GOODS SHOULD MAKE IT POSSIBLE TO PENETRATE IT, ASSUMING WE CAN BE QUALITY AND PRICE COMPETITIVE. TRADE MISSION

C. AUDIO-VISUAL EQUIPMENT

THE JAPANESE HAVE TOTALLY DOMINATED THE AUDIO-VISUAL MARKET IN SAUDI ARABIA. THIS POST HAS LITTLE KNOWLEDGE OF THE PRESENT STATE OF THE INDUSTRY IN THE U.S.; BUT, ASSUMING THAT PAST CURRENCY REALIGNMENTS PLUS CONTINUING DISPARATE INFLATION RATES WILL HAVE MADE THE INDUSTRY MORE VIGOROUS BY FY77, WE SHOULD BE ABLE TO RECAPTURE SOME OF THE AUDIO-VISUAL BUSINESS HERE. EDUCATIONAL APPLICATIONS (LANGUAGE LABS, CCTV, ETC.) IS ONE AREA OF GROWING IMPORTANCE AS SCHOOL AND VOCATIONAL TRAINING PROGRAMS DEVELOP. ANOTHER IS THE CONSUMER CATEGORY. UNCLASSIFIED

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RADIOS, STEREOS, TV SETS (ALTHOUGH THE NEW COLOR TV SYSTEM EVIDENTLY WILL BE SECAM), AND VIDEO-TAPE PLAYERS ARE IN RAPIDLY INCREASING DEMAND WITH GROWING AFFLUENCE AND URBANIZATION. TRADE MISSION

D. AGRICULTURAL EQUIPMENT

THE AGRICULTURAL SECTOR IN SAUDI ARABIA IS AT PRESENT

VERY SMALL. HOWEVER, CURRENT SAG AGRICULTURAL DEVELOPMENT PLANS SHOULD MULTIPLY THE DEMAND FOR EQUIPMENT-- THE MORE SO SINCE EXTREMELY LIMITED AGRICULTURAL MANPOWER WILL NECESSARILY REQUIRE VERY CAPITAL-INTENSIVE CULTIVATION METHODS. THE GOVERNMENT SUBSIDY OF 50 PERCENT OF THE COST OF AGRICULTURAL EQUIPMENT IS AN ADDED BENEFIT. TRADE MISSION
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